Declassified in Part - Sanitized Copy Approved for Release 2012/07/06 : CIA-RDP82S00205R000200010025-5

Secret

25X1

DIRECTORATE OF
INTELLIGENCE

Intelligence Report

The Economic Situation in South Vietnam

(Biweekly)

Secret

1 December 1969
No. 0508/69

117

Declassified in Part - Sanitized Copy Approved for Release 2012/07/06 : CIA-RDP82S00205R000200010025-5

Declassified in Part - Sanitized Copy Approved for Release 2012/07/06 : CIA-RDP82S00205R000200010025-5

Secret

25X1

WARNING

This document contains information affecting the national defense of the United States, within the meaning of Title 18, sections 793 and 794, of the US Code, as amended. Its transmission or revelation of its contents to or receipt by an unauthorized person is prohibited by law.

GROUP 1
EXCLUDED FROM AUTOMATIC
DOWNGRADING AND
DECLASSIFICATION

Declassified in Part - Sanitized Copy Approved for Release 2012/07/06 : CIA-RDP82S00205R000200010025-5

Declassified in Part - Sanitized Copy Approved for Release 2012/07/06 : CIA-RDP82S00205R000200010025-5

25X1

CENTRAL INTELLIGENCE AGENCY
Directorate of Intelligence

The Economic Situation in South Vietnam

Summary

The government responded to criticism of the recent austerity tax increase on imports by reducing the rates on several commodities, some of which are important items in the budgets of the poor. Small motors for use in farming and fishing also were given preferential rates. As a result of the rate reductions, officials estimate about a 6 percent loss in 1970 revenues from imports, which account for more than half of total government revenues.

Retail prices in Saigon were relatively stable during the first half of November at a level 35 percent above that prevailing at the beginning of the year. Prices of imported goods, which rose 45 percent immediately following the austerity tax increase decreed on 23 October, also were stable at the new higher levels during the first two weeks in November. Vietnamese officials in Da Nang report greater price stability in I Corps than in Saigon due to the operation of an unofficial, but influential, price control board.

All black market currency and gold prices increased during the three weeks ending 25 November. The price of dollars reached a new high almost two and a half times the official exchange rate.

ANNEX: Currency and Gold Prices (Graph)

25X1

Declassified in Part - Sanitized Copy Approved for Release 2012/07/06 : CIA-RDP82S00205R000200010025-5

Declassified in Part - Sanitized Copy Approved for Release 2012/07/06 : CIA-RDP82S00205R000200010025-5

25X1

Reductions in Austerity Tax Rates

1. In response to public and legislative criticism of the hardships created by the 23 October increase in austerity tax rates on imports, the government has announced reductions in the new rates for several commodities and switched others to categories of goods with lower rates. The prime minister and the ministers of economy and finance met with National Assembly leaders on 12 and 13 November to discuss revisions in the tax increase and announced the changes the following day. The government apparently acted quickly in order to forestall additional requests for rate reductions from the legislators. It is estimated that the revisions will result in a loss of roughly 6 percent of projected 1970 total revenues from imports--by far the most important source of all government revenues.

2. Among the major imports for which tax rates were reduced are wheat flour, gasoline, kerosene, diesel oil, corrugated iron roofing sheets, and three-wheeled commercial vehicles. Bicycle parts and accessories and small gasoline engines for use in agriculture and fishing were shifted into categories with lower tax rates. Along with the tax rate changes the government revised the official prices in the Saigon area for these goods, as shown below.

Official Saigon Retail Prices
(Piasters per unit)

	Unit of Measure	Prior to 23 Oct	After Austerity Tax Increase	Revised on 14 Nov
Wheat Flour 8% protein	kg	34	51	45
Regular Gas	liter	9.6	20	18
Kerosene	liter	7.58	12	10
Industrial Diesel Oil	liter	5.8	12	9
Tri-Lambrettas	each	NA	410,000	240,000
4 h.p. Gasoline Engine	each	NA	27,360	16,690

25X1

Declassified in Part - Sanitized Copy Approved for Release 2012/07/06 : CIA-RDP82S00205R000200010025-5

Declassified in Part - Sanitized Copy Approved for Release 2012/07/06 : CIA-RDP82S00205R000200010025-5

25X1

It is estimated that 5 to 6 million piasters ($42 to 51 million) in revenue will be lost as a result of the tax rate reductions. Two-thirds of this amount is accounted for by the reductions on small engines, kerosene, diesel oil, and the gas-oil mixture used in small engines.

Prices

3. Retail prices in Saigon remained stable during the first half of November following the increases in late October resulting from the higher austerity taxes on most imports. On 17 November the USAID index was about 12 percent above the pre-austerity tax level with prices of both food and nonfood items registering increases of about the same magnitude. Compared with the level prevailing at the beginning of the year the price index for all items had increased 35 percent by 17 November. Food prices led the way with an increase of 42 percent, while prices of nonfood items were up 17 percent.

USAID Retail Price Indexes for Saigon
(1 January 1965 = 100)

	All Items	Food Items	Nonfood Items
2 Jan 1968	308	344	241
6 Jan 1969	400	443	319
6 Oct 1969	470	547	329
3-7 Nov 1969 aver.	541	631	374
10-14 Nov 1969 aver.	538	627	373
17 Nov 1969	539	628	373

4. The USAID price index for imported commodities rose about 45 percent during the week following the enactment of the higher tax rates, but remained relatively stable during the first half of November. All items sampled for the index except rice, fertilizer, pharmaceuticals, and sugar were subject to the higher taxes. As of 18 November the index was 73 percent above the level of 7 January.

25X1

Declassified in Part - Sanitized Copy Approved for Release 2012/07/06 : CIA-RDP82S00205R000200010025-5

Declassified in Part - Sanitized Copy Approved for Release 2012/07/06 : CIA-RDP82S00205R000200010025-5

25X1

5. According to Vietnamese officials in Da Nang, the increases and wide fluctuations in prices that occurred in Saigon following the austerity tax increase were not so serious in the I Corps area. One reason for the greater price stability apparently has been the activity of an unofficial price control board composed of key military, police, and civilian officials who have sufficient influence to compel local merchants to keep prices in line. The board, which has been active for two months, was originally formed to check on increasing rice prices and reports of rice shortages in I Corps. I Corps officials believe that similar unofficial price control measures are in effect in the other Corps areas, but they acknowledged that for many reasons, including unfavorable press reaction, the same methods would not be workable in Saigon.

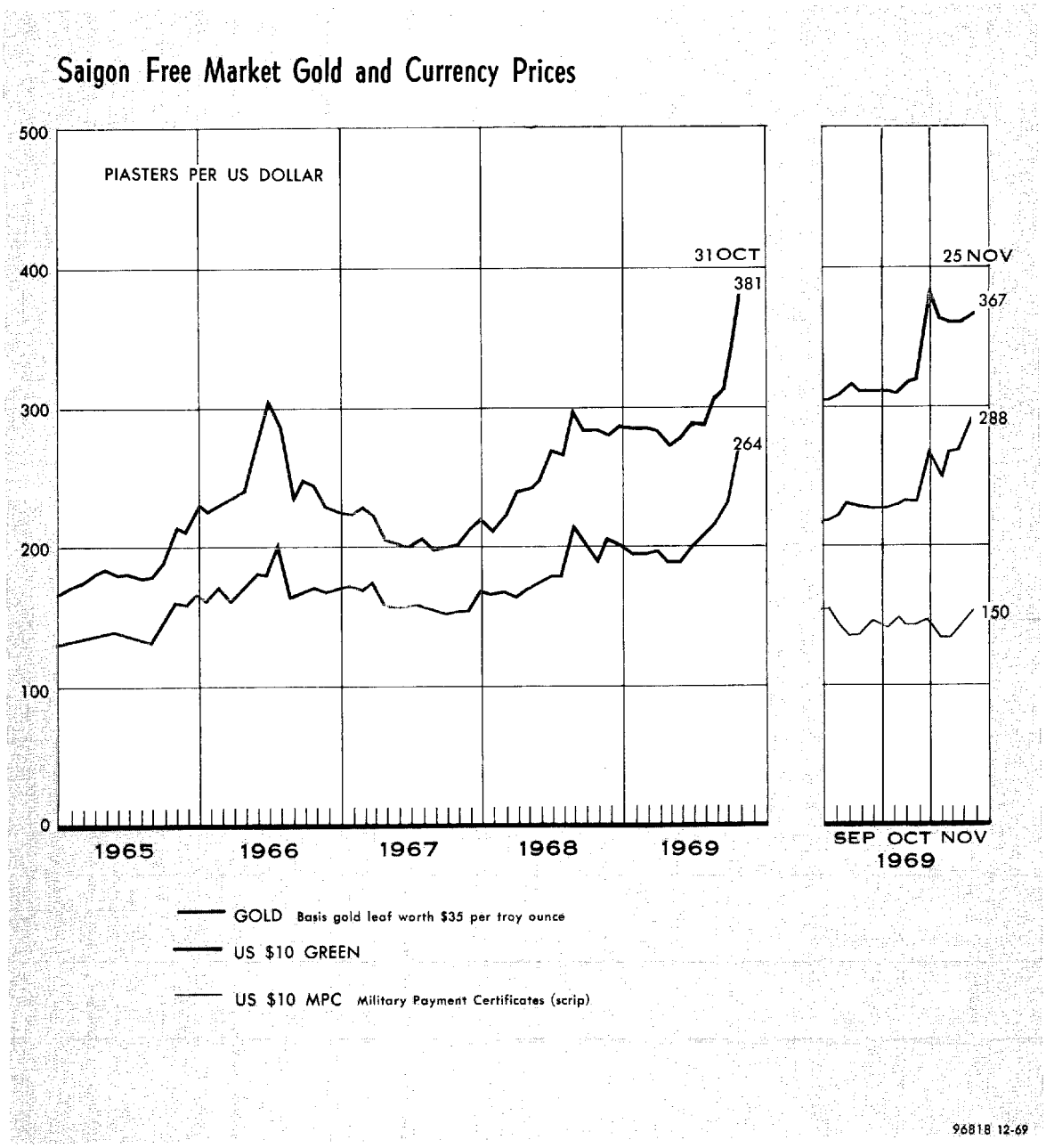
Currency and Gold

6. Free market dollar prices increased steadily during the three weeks ending 25 November reaching a new high of 288 piasters per dollar, almost two and a half times the official exchange rate. The rate for MPC (scrip) rose 20 piasters to 150 piasters per dollar. The price of a dollar's worth of gold leaf registered the smallest increase--from 362 piasters on 6 November to 367 piasters on 25 November. (A graph on monthly and weekly currency and gold prices is included in the Annex.)

25X1

Declassified in Part - Sanitized Copy Approved for Release 2012/07/06 : CIA-RDP82S00205R000200010025-5

Declassified in Part - Sanitized Copy Approved for Release 2012/07/06 : CIA-RDP82S00205R000200010025-5



Declassified in Part - Sanitized Copy Approved for Release 2012/07/06 : CIA-RDP82S00205R000200010025-5

Declassified in Part - Sanitized Copy Approved for Release 2012/07/06 : CIA-RDP82S00205R000200010025-5

Declassified in Part - Sanitized Copy Approved for Release 2012/07/06 : CIA-RDP82S00205R000200010025-5